

Dear state employees,

With the release of the 2005-2006 biennial budget on December 1, you may have noticed that I am requesting significant funding, \$22.4 million, to launch the new state employee pay plan. I am pleased to share with you the final proposal, which captures many of your ideas and responds to your concerns. Though we must await formal approval from the Legislature, I believe the proposed employee compensation plan accomplishes our main objectives: wage equity within and among all state agencies, livable wages that are competitive with surrounding public and private sector employers, and performance incentives that promote outstanding health, work ethic and efficiency. These goals are accomplished through three main components:

1. Annual External Cost Adjustments to Market,
2. Biannual Market Inequity Adjustments, and
3. Development of a Performance Management System and Training Program.

As we implement these components, the current 11-band framework will be left in place, however all agency-specific compensation plans will be eliminated. A uniform, statewide compensation policy will be applied to all agencies through the Department of Administration and Information, Human Resources Division. These measures help to ensure ongoing standards of equity and fairness as we move ahead.

External Cost Adjustment to Market

Beginning July 1, 2004, I have requested funding for all employees to receive an ongoing annual wage increase based on the Wyoming Cost of Living Index not to exceed 3%. Similar to that used by the Legislature in determining Wyoming-based inflation adjustments for school funding, this external cost adjustment to market will be clearly separate from performance pay, and will help ensure that employees do not lose purchasing power from year to year due to inflation. I propose this external cost adjustment to market become a standard line item in the budget to help sustain its funding beyond my administration.

Market Inequity Adjustment

After everyone receives the first 3% external cost adjustment on July 1, 2004, (provided the Legislature approves funding) the A&I Human Resources Division will identify all individuals still earning wages below competitive market value for their classification and increase their wages to market value (called a "target hiring rate.") A&I, Human Resources Division will determine market value by conducting regional market surveys biannually to set target hiring rates for all classifications, thereby eliminating the "entry, journey, and expert" designations. Due to funding allowances, I am setting the target hiring rates at 90% of the 2003 market figures, and will work toward 100% of market as soon as possible.

Performance Management System and Training Program

To offer incentives that promote outstanding work ethic, creativity, attitude and efficiency, the state will be developing a comprehensive performance management system and training program. Consistent performance standards, management and middle management accountability, and statewide policy education are just a few elements of a successful performance appraisal and incentive program. This portion of the plan is now under construction, with anticipated implementation scheduled for July 2005.

Despite my eagerness to get this new pay plan into place, it cannot be implemented until July 1, 2004. In the meantime, a modified wage freeze will remain not because I want it to last, but because we must absorb changes into a budget cycle that begins and ends in July. Nevertheless, I understand many employees may be unduly burdened due to its initial timing. In severe cases, I am allowing a process for you to request an interim adjustment from the human resource managers within your agency if you believe there is a significant wage disparity between yourself and others in your job classification.

Conversion to a superior pay plan is a significant undertaking in the next six months, and you will continue to receive communications from my office. Between now and July 1, 2004, the State Personnel Rules are being revised and you are welcome to offer public comment throughout the process. I will push for ongoing appropriations for this new plan, work to maintain funding for health insurance coverage at the 85% level, and am recommending that \$2 million go toward longevity pay increases at a rate of \$40 per month for the 2005-2006 biennium. I encourage you to discuss your questions and concerns with the human resource managers in your agency as they are working on a comprehensive employee communications and education plan to deliver information that will keep you informed of changes and help you to examine your total compensation package.

I look forward to working together to implement a new pay system that rewards your hard work and helps to recruit a quality workforce for the state of Wyoming.

Best regards,
Dave Freudenthal
Governor